

## Fed outlines balance sheet reduction plans

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EMIRATES INVESTMENT BANK

### LOOKING BACK

- Fed holds rates, will start normalizing balance sheet from October.** The Fed kept its benchmark interest rates unchanged but suggested that a hike is likely by the end of the year. The Fed also announced plans to start reducing its USD4.5 trillion balance sheet starting October by letting USD10 bn in bonds mature each month, slowly ratcheting up until it reaches USD50 bn a month. Global equities, close to record highs, remained flat for the week, with the US 10-year Treasury yield slightly higher at 2.25%.
- Eurozone PMIs indicate stronger Q3 ahead.** The composite preliminary PMI for the Eurozone rose to 56.7 in September, from 55.7 in August, reaching its highest level since May. This came alongside the recent appreciation of the EUR, highlighting the robustness of the Eurozone economic recovery and may provide assurance to the ECB's plans of phasing out its QE program.
- Bank of Japan (BoJ) holds interest rates steady.** The BoJ kept its interest rates steady at 0.1%, also maintaining its yield target for 10-year JGBs at around 0.0%. The Bank signalled it expects the Japanese economy to continue with moderate expansion and the domestic recovery to remain strong, even as it highlighted external policy and geopolitical risks to its economic outlook.
- China's credit rating downgraded.** S&P downgraded China's long-term sovereign credit rating from AA- to A+, following a similar downgrade by Moody's in May. S&P stated that China's sustained period of excess credit growth has increased its economic and financial risks. In addition, S&P also downgraded China's short-term rating from A-1+ to A-1.
- Oil continues rally.** OPEC and Russia said they were well on course toward clearing a global oil glut and urged member nations to stay focused and disciplined, without hinting that they would extend the deal which is due to expire end of March 2018. Data from the International Energy Agency (IEA) showed at current compliance levels, oil markets would be finely balanced next year and ending the accord could put the market back in surplus. Brent continued its recent upward momentum and closed 2.2% higher last week.

### LOOKING FORWARD

- US new home sales data will be released **Tuesday**. Japan reports its CPI and unemployment data on **Thursday** while Eurozone CPI data will be published on **Friday**.



### MAIN CROSS RATES

€ 1 ————— \$ 1.1951

£ 1 ————— \$ 1.3504

\$ 1 ————— ¥ 111.99

	Yield % (24/09)	Yield % (17/09)
Abu Dhabi 2019	1.65	1.63
KSA 2021	2.57	2.53
Dubai 2023	3.15	3.09
Qatar 2023	2.99	2.94
US 10Y	2.25	2.20
German 10Y	0.45	0.43

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	1,995	0.3%	13.9%
MSCI BRIC	322	0.2%	33.1%
MSCI EM	1,102	0.0%	27.8%
USA - S&P 500	2,502	0.1%	11.8%
UK- FTSE 100	7,311	1.3%	2.3%
France - CAC40	5,281	1.3%	8.6%
Germany - DAX	12,592	0.6%	9.7%
Japan - Nikkei 225	20,296	2.5%	6.2%
Dubai	3,633	-0.7%	2.9%
Abu Dhabi	4,455	-0.6%	-2.0%
Saudi	7,326	-0.6%	1.6%
Oman	5,100	2.0%	-11.8%
Kuwait	6,849	-0.9%	19.2%
Egypt	13,695	0.6%	10.9%
Qatar	8,361	-0.6%	-19.9%
<b>Commodities</b>			
Gold (\$/oz)	1,297	-1.7%	13.1%
Silver (\$/oz)	17	-3.4%	6.7%
Platinum (\$/oz)	933	-3.7%	3.3%
Oil - Brent (\$/bbl)	57	2.2%	0.1%

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## EMIRATES INVESTMENT BANK

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